

Message from the Chairman

On behalf of the Missouri Gaming Commission, it is my pleasure to present the annual report for FY 2005. This report is submitted to comply with Section 313.837, RSMo, and contains an account of the Commission's activities over the past year. The report includes a summary of the status of each licensed gaming facility; a report of gaming tax and admission fee collections; an analysis of the gaming markets in Missouri; a summary of the responsibilities and activities of each section of the Commission's staff; a report on the status of the gaming industry affirmative action programs; and an update on the Commission's programs for problem gamblers and their families.

The report also contains a section fulfilling the Commission's statutory mandate to report to you on the effect of the loss limit on the competitiveness of Missouri riverboat casinos versus gaming facilities in neighboring jurisdictions. You may notice that the Commission offers much less commentary on the loss limit than it has in previous years. For the past decade, this Commission has reported to you that the data clearly shows the loss limit renders Missouri riverboat casinos less competitive versus its competitors in Illinois, Iowa and Mississippi.¹ There has been little change in the data over the past decade, making the issue as to whether the loss limit has a negative impact on Missouri casino's ability to compete with neighboring states well settled. The Commission continues to recommend you consider repealing this reporting requirement. The Joint Committee on Gaming and Wagering supports this position as indicated by its adoption of a resolution expressing its opinion on the issue during the 2005 legislative session.²

The gaming statutes also require the Commission to suggest changes in the adjusted gross receipts tax as provided in Section 313.822, RSMo. On pages 7-9, you will find a detailed analysis of Missouri's gaming tax rate as it compares to the gaming tax rates in other riverboat gambling states. In addition, the report provides the Commission's view of how tax rates affect the economics of gaming, the quality of the operations located in the state and the impact of gaming taxes on employees, home dock communities, patrons and state revenues.

Another of the Commission's statutory mandates is to provide recommendations for legislation the Commission deems advisable. Two years ago, the Commission opened the debate regarding the expansion of enforcement authority for Commission agents. The current system has served the citizens of Missouri and Commission admirably during the startup phase of riverboat gambling. It provided an immediate influx of experienced law enforcement officers who had established an important bond of trustworthiness with the

A handwritten signature in black ink that reads "Floyd Barth".

¹ Indian casinos do not release the results of their operations. Thus, we are not able to provide an analysis of the competitive environment versus the Indian casinos in Kansas.

² The resolution states, in part that:

"WHEREAS, the Joint Committee on Gaming and Wagering recognizes the importance of maintaining the independence of the Missouri Gaming Commission; and

WHEREAS, the Joint Committee on Gaming and Wagering believes that requiring the Missouri Gaming Commission to report on the effects of loss limits unnecessarily involves the Commission in a political issue, which is inconsistent with the duties of an impartial regulatory and law enforcement agency; and

WHEREAS, the Joint Committee on Gaming and Wagering finds that it is in the best interest of the effective regulation of legalized gaming to isolate the Missouri Gaming Commission from political issues or involvement; and

public. However, recent inquiries from the Missouri Government Review Commission (MGRC), prompted by responses from the Highway Patrol to an MGRC questionnaire, suggest that policy makers may consider other, more efficient ways to allocate scarce state law enforcement resources. With this in mind, it is now imperative that we build more flexibility into the gaming statutes to allow us to adapt to potential changes in administrative policy and, perhaps more importantly, to allow the Commission to adapt to changes in personnel that might be brought about as a result of a statewide emergency that would require highway patrol officers on riverboat casinos to be reassigned. In the absence of policy direction from the Governor and/or General Assembly, the Commission's only plan would be to use the proposed statutory provisions to commission a few seasoned gaming enforcement managers who have extensive law enforcement experience. We believe the time to act on this issue has come and ask that you give this issue your most serious consideration in the 2006 legislative session.

The Commission also recommends legislation be adopted requiring casinos to pay interest on delinquent admission fees. A decision by one of the Commission's hearing officers pointed out that the current gaming statute provides specific language allowing the Commission to impose interest on delinquent adjusted gross receipts taxes. However, the language is missing from the section imposing an admission fee. Thus, the Commission cannot assess interest against delinquent admission fees until the legislature grants it the authority to do so.

Finally, the Commission recommends the General Assembly enact legislation directing that jackpot winnings of problem gamblers who have voluntarily excluded themselves from Missouri casinos be deposited into a fund for problem gambling prevention and treatment. Under the provisions of Missouri's internationally renowned voluntary exclusion program, problem gamblers who have excluded themselves are ineligible to place a wager. Thus, if the problem gambler surreptitiously enters the casino, illegally places a wager and wins a jackpot, the current law allows the casino to keep the money. The Commission believes a better policy is to deposit the money into the Compulsive Gamblers Fund and asks that you enact legislation authorizing the Commission to redirect the funds.

Perhaps the most significant action by the Commission during the past fiscal year was the completion of the prioritization process for new licensees in the St. Louis metropolitan area. The Commission spent more than a year analyzing the submission of applications for six casino locations. The process was very competitive with the Commission receiving quality proposals from four companies. The process was also very open, as the Commission held enough public hearings so that any member of the public who wished to be heard on the issue was given the opportunity to

WHEREAS, the Joint Committee on Gaming and Wagering finds that relieving the Missouri Gaming Commission from the requirement of reporting to the General Assembly on the effect of loss limits will benefit the Commission by allowing it to focus entirely on its mission of administering laws and regulations maintaining the integrity of commercial and charitable gaming in Missouri;

NOW, THEREFORE, BE IT RESOLVED, that the Joint Committee on Gaming and Wagering recommends that the provision of Section 313.837, RSMo, requiring the Missouri Gaming Commission to report annually to the General Assembly the effects of loss limits on the competitiveness of the gaming industry in Missouri be repealed.





speak directly to the Commission in an open forum. The quality and fairness of the selection process can perhaps best be judged by the absence of any significant controversy or negative media coverage following the Commission's selection of Pinnacle Entertainment as a priority for investigation for its projects in downtown St. Louis and in St. Louis County.³

The Commission is particularly grateful for the cooperation and professionalism exhibited by the St. Louis City and County governments. Each of these entities has been very helpful during the process in providing the Commission with information and in establishing the clear support of their communities for a casino development. The Commission has never licensed a casino in a community unless there was substantial and widespread support for it. The Commission continues to believe that local community support is critical to the selection and licensing process. Local governments play a critical role in this process but are also at risk of falling to the temptation of unethical or illegal conduct.⁴ The Commission's experience with St. Louis City and County officials thus far has been excellent and they are to be commended for their handling of this highly volatile issue.

Governor Matt Blunt appointed two new members to the Commission in 2005. Both members bring a wealth of experience in business matters and public service. Darryl Jones is an experienced businessman who also has a lengthy record of serving the St. Louis community as both an appointed official and a volunteer. Noel Shull is a veteran of the banking industry who will bring much needed expertise to the Commission's oversight of complex financial matters. Both members will help build upon the solid foundation that has been laid by previous Commissioners.

³ The Commission has been sued by Columbia-Sussex Corporation who asserts that the Commission does not have the authority to issue a license to Pinnacle Entertainment in downtown St. Louis because its proposed casino location is more than 1,000 feet from the Mississippi River as defined in statutes and the Missouri Constitution. The Commission views this lawsuit as more of an action by a potentially competing casino company than a protest against the selection process. The selection process provided for a meticulous examination of site related issues by an outside consultant who concluded that the site was within 1,000 feet of the river according to the legal definition established by the legislature.

⁴ In 1999, former Kansas City Port Authority Chairman, Elbert Anderson, was sentenced to a federal prison term for his role in a bribery scheme involving Hilton Casino officials. The indictments also involved Kansas City Councilwoman D. Jeanne Robinson and former Jackson County Legislator James Tindall, as well as Hilton executive Mark Rousseau.